

## **TRANSFEREES' EXHIBIT 18**

### **Request for Failing Station Waiver**

The Tribune Employee Stock Ownership Plan as implemented through the Tribune Employee Stock Ownership Trust, EGI-TRB, L.L.C., and Sam Zell (collectively the "Transferees"), proposed transferees of Tribune Television Company ("Tribune"), licensee of television station WTIC-TV, Hartford, Connecticut ("WTIC"), and WTXS, Inc., licensee of WTXS(TV), Waterbury, Connecticut ("WTXS" and collectively with WTIC, the "Stations") hereby request a permanent waiver of Section 73.3555(b), the local television multiple ownership rule, to permit Tribune's common ownership of the Stations based on WTXS's status as a "failing station." Because the Hartford-New Haven DMA does not contain eight independently owned and operated television voices, a waiver of the local television multiple ownership rule is necessary to permit the continued common ownership of the Stations following the transfer. *See* 47 C.F.R. § 73.3555(b) and Note 7, ¶ 2 as published in Appendix B of *Review of the Commission's Regulations Governing Television Broadcasting*, MM Docket No. 91-221, FCC 99-209, released August 6, 1999 ("Television Ownership R&O"). The FCC previously granted a permanent waiver of the local television ownership rule to allow Tribune to acquire WTXS based on its status as a failing station.<sup>1</sup> As demonstrated more fully below, WTXS remains a failing station.

### **I. INTRODUCTION & SUMMARY**

The requested waiver is in the public interest because it will permit the continued resuscitation of WTXS, a station that had severe financial problems prior to its acquisition by

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<sup>1</sup> *See Counterpoint Communications Inc.*, 16 FCC Rcd. 15044, 15046 (2001) ("*Counterpoint I*").

Tribune – financial problems that clearly prevented WTXX from becoming a viable voice in the market.<sup>2</sup> Since receiving the failing station waiver, Tribune has invested several million dollars in WTXX’s programming and physical plant, producing what the Commission expected when it adopted the failing station waiver standard: “greatly improve[d] . . . facilities and programming operations, thus benefiting the public interest.” Television Ownership R&O ¶ 79.

Although Tribune has made great strides in restoring WTXX’s viability in the market, the process has been expensive and is far from complete. WTXX continues to have negative cash flows despite the economic benefit of its combined operation with WTIC and Tribune’s substantial investment. The requested waiver will allow Tribune to continue investing in WTXX’s programming and physical plant, including the construction of WTXX’s post-transition DTV facilities – investments that will continue to enhance both program diversity and competition in the Hartford market as WTXX becomes a more viable station to both viewers and advertisers.

## **II. BACKGROUND**

Pursuant to the permanent failing-station duopoly waiver granted by the Commission in *Counterpoint I*, Tribune currently owns and operates WTIC and WTXX. Tribune does not directly or indirectly own, operate, or control any other station in the Hartford-New Haven DMA.

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<sup>2</sup> See Television Ownership R&O ¶ 79 (a merger involving a failing station presents “minimal harm to [the Commission’s] diversity and competition goals, since [the failing station’s] financial situation typically hampers [its] ability to be a viable ‘voice’ in the market.”).

### **III. WAIVER SHOWING**

The Television Ownership R&O and the accompanying local television multiple ownership rule promulgated therein identified a four-part test for failing station waivers that are evaluated on a case-by-case basis.<sup>3</sup> These factors are: (1) at least one of the merging stations has had low all-day audience share (4% or lower); (2) the financial condition of one of the merging stations is poor; (3) the merger will produce public interest benefits; and (4) the in-market buyer is the only reasonably available candidate willing and able to acquire and operate the station.<sup>4</sup> Presently, each prong of the failing station test is satisfied.

#### **1. WTXX's All-Day Audience Share is No More Than 4%.**

The first criterion for a failing station waiver is that the failing station have all-day audience share of no more than 4%.<sup>5</sup> While the Commission did not establish a specific calendar period over which the failing station's audience share would be reviewed when it adopted the failing station waiver standard, the Commission in the past has reviewed audience share data for the three years prior to the filing of the application.<sup>6</sup> WTXX easily satisfies the first prong of the Commission's test.

WTXX has a history of all-day audience shares well below 4%. Specifically, WTXX's highest audience share between May 2004 and February 2007 was a 2.8, earned in November 2004. Exhibit 1 to Attachment A (Declaration of Gina M. Mazzaferri). Moreover, over the most recent 12 periods in which WTXX's share was measured, WTXX averaged only a 2.3 share, and

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<sup>3</sup> See Television Ownership R&O ¶ 81 & Appendix B (47 C.F.R. § 73.3555(b) & Note 7, ¶ 2).

<sup>4</sup> *Id.* ¶ 81.

<sup>5</sup> *Id.*

<sup>6</sup> See, e.g., *KSMO Licensee, Inc.*, 20 FCC Rcd. 15254, 15258 (Media Bureau 2005).

earned a low of 1.8 as recently as July 2006. *See id.* This evidence, over a three-year period, demonstrates that WTXS's low audience share is in no way an aberration. Indeed, as the declaration of Gina M. Mazzaferri, Vice President for Strategy and Administration, confirms, "WTXS has steadily invested in its programming, including non-network and regional sports offerings, as well as advertising/promotion in support of its programming," yet it "has been unable to garner significant audience share." Mazzaferri Decl. ¶ 5.

## **2. WTXS's Financial Condition is Poor.**

The second criterion is that the failing station's financial condition is poor; generally demonstrated by negative cash flow for the three consecutive years immediately prior to the application requesting consent to the proposed transfer.<sup>7</sup> As demonstrated by the financial information attached hereto, the current financial condition of WTXS is poor.<sup>8</sup> Specifically, WTXS has incurred over \$4 million in net losses over the last three fiscal years. *See* Exhibit 2a to Attachment A. Over that same period, WTXS's cumulative cash flow deficit from operations was \$2.6 million and capital expenditures were an additional \$1.2 million. *See* Exhibit 2b to Attachment A.

As confirmed by Ms. Mazzaferri, "advertising revenues have been insufficient to cover the station's operating costs," which has resulted in WTXS suffering "a net loss and negative cash flows from operations for each of the three most recent fiscal years." Mazzaferri Decl. ¶ 5.

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<sup>7</sup> Television Ownership R&O ¶ 81.

<sup>8</sup> Tribune has submitted specific confidential information concerning the financial status of WTXS in the form of Exhibits 2a and 2b to Attachment A. These Exhibits have been filed concurrently under a Request for Confidential Treatment. The information contained in these Exhibits is commercially and competitively sensitive and public disclosure of this information would severely prejudice Tribune. For this reason, Tribune is entitled to confidential treatment under a protective order of the Commission that would prevent the public and unnecessary third parties from reviewing the confidential information.

The Commission consistently has recognized such inability to generate positive cash flow and operating income as determinative of poor financial condition for purposes of granting a failing station waiver.<sup>9</sup> Accordingly, Tribune submits that WTXX's current financial condition satisfies the second prong of the Commission's test.

**3. The Combination of WTXX and WTIC Will Continue to Result in Tangible and Verifiable Public Interest Benefits that Outweigh Any Harm to Competition and Diversity.**

The third criterion is that the proposed transfer will produce tangible and verifiable public interest benefits that will outweigh any harm to competition and diversity.<sup>10</sup> The combination of WTIC and WTXX provides programming and public interest benefits that WTXX could not have provided absent the common ownership with WTIC. These benefits range from the upgrade and stabilization of WTXX's analog facilities to the construction of WTXX's transitional DTV facilities to the increased coverage of local news and public affairs programming. Tribune submits that these tangible and verifiable public interest benefits more than outweigh any speculative harm to competition and diversity in the market.

***Capital Expenditures.*** At the time it acquired WTXX, Tribune documented the alarming state of disrepair of WTXX's physical plant. Since it acquired WTXX, Tribune has spent approximately \$2 million to stabilize WTXX's analog physical plant, replace its analog transmitter, build-out the station's interim channel 12 DTV facility, and initiate the first phase construction of WTXX's post-transition DTV channel 20 operations. Tribune expects to spend

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<sup>9</sup> See, e.g., *Hispanic Keys Broadcasting Inc.*, 19 FCC Rcd. 4603, 4605 (Media Bureau 2004).

<sup>10</sup> Television Ownership R&O ¶ 81.

an additional \$750,000 to complete the conversion to WTXX's channel 20 operations before the analog cut-off on February 17, 2009.

***Regularly Scheduled Newscasts.*** As the Commission has recognized in its prior orders, Tribune has succeeded in providing the public with enhanced news specials, news coverage, public affairs programs, and public interest services as a result of the WTXX/WTIC combination.<sup>11</sup> The grant of a permanent waiver of the local television multiple ownership rule to permit continued common ownership of WTXX and WTIC will allow Tribune to continue to develop and present quality news and public affairs programs for the greater Hartford area. As demonstrated more specifically below, the combined resources of Tribune benefit, and do not harm, the public's access to quality news and public affairs programming in the Hartford DMA.

During the past nine years, including prior to Tribune's ownership of WTXX, Tribune has broadcast a newscast on WTIC/WTXX in different ways to provide the Hartford market with different viewing options. For example, WTXX currently runs a simulcast of WTIC's 60-minute newscast at 10:00 p.m. Monday through Friday. This simulcast allows WTXX to time-shift the newscast when FOX programming extends into the regularly scheduled news hour. For example, during NASCAR races, WTXX carried the full hour newscast at 10:00 p.m. while the race pushed the start of the regular news hour on WTIC back to midnight. Thus, regular viewers who wanted to watch a 10:00 p.m. newscast still had that option. Tribune used crawls to inform the public of the availability of the newscast on WTXX. The start of the WTIC newscast has

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<sup>11</sup> See *Counterpoint II*, 20 FCC Rcd. at 8588-89. As detailed below, Tribune has maintained and expanded the programs recognized in the Commission's 2005 Memorandum Opinion and Order. The one-hour newscast has benefited from the dedication of specific resources to Waterbury, Connecticut, WTXX's community of license. The student news program has been expanded, with spots airing more frequently. Catholic Mass has been continued, and offered several times during the morning. And, a sports program similar to "Beyond the Headlines" also is broadcast.

also been delayed from time to time due to extended coverage of Fox Network's Major League Baseball and National Football League programming.

In addition to these synergies, the Stations specifically have established a Waterbury Bureau to ensure that the newscasts and public affairs programming on the Stations cover issues that are important to Waterbury. To that end, Tribune has one full-time reporter assigned to the Waterbury bureau and also assigns other reporters to cover stories as needed.

For example, in just the past month WTIC/WTXX has covered the following stories relevant to viewers in Waterbury and the Naugatuck Valley:

- Mausoleum Thefts. Police arrested a suspect who they say broke into several mausoleums in a Waterbury cemetery, stealing jewelry off the bodies. They are looking into whether he was responsible for break-ins at other nearby cemeteries.
- Hershey Candy Co. Closing. This story broke in the Waterbury Republican newspaper. Tribune worked with the paper to confirm the plant closing and did a local story on the impact of the closing on both the 250 workers losing their jobs as well as the surrounding community.
- I-84 Drainage Problems. The state is suing the construction company over work done on the I-84 corridor that runs right through Waterbury, saying the work led to flooding problems and damage. Tribune provided live coverage of the issue.
- Tanker Trailer Accident. The accident shut down Route 8, a major roadway that runs through the middle of Waterbury. Tribune was able to provide viewers with the information they needed to maneuver during the next morning's commute.
- Park Graffiti. Tribune focused not on the damage done by vandals at a Waterbury park but on how citizens joined forces to repair the damage.
- Blighted Properties. The story focused on abandoned buildings in downtown Waterbury that were not only eyesores, they were impacting nearby businesses and having a negative economic impact on the city.
- Barber Shop Licenses. This was an enterprise story developed after a series of raids on Waterbury massage parlors. Reporter Eric Zager looked at the regulation of these businesses and found out that not only were licenses not required for spas, they were not required for tattoo parlors or barber shops, either.

*News and Public Affairs Specials.* The synergies afforded to the stations by their access to Tribune's other media resources also allows the broadcast of special events. For example:

- The Stations' news director and crew have structured and broadcast a debate between candidates during the last two political election campaign cycles.
- The Stations' news and production departments sponsored and held a U.S. Senate debate at nearby Quinnipiac University. Coverage was provided by the Waterbury Republican and Hartford Courant.
- The Stations produce special coverage of the University of Connecticut men's and women's basketball teams during tournaments and other games of interest, including 15 to 20 sports specials per year.
- Tribune has a firm commitment to cover high school sports in the area. We have featured reports on local football, basketball and softball teams in and around the Waterbury area.

For these reasons, Tribune submits that common ownership of WTIC and WTXX has and will continue to provide public interest benefits that more than satisfy the third prong of the Commission's standard for a failing station waiver.

**4. Tribune is the Only Reasonable Entity Ready, Willing, and Able to Operate WTXX, and a Sale to an Out-Of-Market Buyer Would Result in an Artificially Depressed Price.**

The fourth criterion is that the proposed transferee of the license for the failing station be the only entity ready, willing, and able to operate the failing station, other than an out-of-market buyer, a sale to whom would result in an artificially depressed purchase price.<sup>12</sup> Tribune has attempted to find a buyer for WTXX, and for the Stations together, since before the time it acquired WTXX pursuant to its contractual arrangements with Counterpoint. No prospective purchaser has made an offer for WTXX or the Stations that did not include unacceptable terms or

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<sup>12</sup> Television Ownership R&O ¶ 81.



was well below the price Tribune needed to receive a fair exchange for its investment in the Stations.<sup>13</sup> Tribune's efforts have continued to the present day.<sup>14</sup>

**A. Tribune's Efforts to Sell Prior to the Purchase of WTXX.**

Between April 2000 and July 2001, prior to receipt of final approval of its acquisition of WTXX, Tribune contacted potential purchasers of television stations to elicit interest in the possibility of a purchase or swap of WTIC and WTXX. Tribune focused on those groups who, at that time, owned Fox or WB-affiliated television stations in the belief that the WTIC and WTXX duopoly would appeal more to those broadcasters than to others. Discussions with four significant group television station owners advanced to the point that confidential non-disclosure agreements ("NDAs") were signed. Tribune pursued discussions where even minimal interest was expressed, but no mutually agreeable deal materialized from these negotiations. The efforts included:

- In April and May 2000, Tribune engaged in conversations with one broadcast company regarding a proposed swap of WTIC and WTXX, and a cash payment in exchange for another television station. A NDA was signed in April 2000. After exchanging preliminary information, however, the broadcast company terminated

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<sup>13</sup> The Commission has stated that "an affidavit from an independent broker affirming that active and serious efforts have been made to sell the station, and that no reasonable offer from an entity outside the market has been received" will satisfy the prong of the failing station waiver test. Television Broadcasting R&O ¶ 81. The attached Declaration of Brian Byrnes (Attachment C) clearly satisfies that requirement.

<sup>14</sup> Tribune has submitted specific confidential information concerning these sales efforts in the form of the declarations of Thomas D. Leach, Senior Vice President of Tribune (Attachment B), and Brian Byrnes, President of Paramount Media Advisors, Inc., a media brokerage consulting firm (Attachment C). These declarations have been filed concurrently under a Request for Confidential Treatment. As noted in the following discussion of Tribune's efforts to find a buyer, Tribune and prospective purchasers made every effort to protect the identity of bidders and their specific economic and contractual proposals. Public disclosure of this information would prejudice the continuing efforts of Tribune and prospective purchasers to buy or sell the Stations or other properties, and for this reason, are entitled to confidential treatment under a protective order of the Commission that would prevent those potentially involved in bidding for these or other related stations from reviewing the confidential information.

discussions, citing concerns that Hartford was not a growth market in which it would be interested.

- From May through July 2000, Tribune engaged in conversations with another company regarding the proposed sale of WTXX, including a joint sales agreement (“JSA”), in exchange for the company’s convertible stock. A NDA was signed in May 2000. The potential purchaser was not interested in owning the Station with a JSA attached, so Tribune then offered to sell WTXX without a JSA in exchange for cash. The company declined due to its inability to finance a cash acquisition.
- In June 2000, Tribune engaged in conversations with another television station group owner regarding a potential swap of WTIC and WTXX for one of that group owner’s television stations and a note payable. A NDA was signed in June 2000, but the potential buyer terminated discussions when the parties were unable to bridge a valuation gap related to the transaction.
- In August 2000, Tribune initiated conversations with a further television station group owner to propose a swap of WTXX for another television station. The group owner’s interest in the transaction was contingent upon Tribune continuing to provide services to WTXX through a JSA. A NDA was executed in August 2000. The group owner ultimately withdrew from the negotiations when Tribune would not guarantee a minimum return on the company’s investment upon any subsequent disposition of WTXX.

As demonstrated by these four efforts, even before it combined the ownership of WTXX with WTIC, Tribune engaged in significant efforts to sell WTXX and investigated the potential opportunities to divest the WTXX/WTIC combination.

**B. Tribune’s Efforts to Sell After the Purchase of WTXX.**

In September 2001, Tribune retained broker BNB Communications, Inc. (“BNB”), an affiliate of Paramount Media Advisors, to appraise WTXX. BNB provided an appraised value for the Station that took into account, among other things, the general economic conditions at the time, as well as the downturn in the advertising market and the weak market for television stations in general. In its appraisal, BNB stressed that the appraisal was the minimum value at which a qualified buyer could be obtained. BNB stated that “[it] is possible and indeed probable that a higher price could be obtained” for the station. Privately, BNB communicated to Tribune

that the station was worth almost 20 percent more, and perhaps as much as 50 percent more, than its appraised value.

Upon completion of its appraisal in September 2001, Tribune retained BNB to market and sell WTXX. BNB and its affiliated investment firm, Media Venture Partners (“Media Venture”), prepared a confidential offering memorandum to be distributed to potential purchasers. The offering memorandum contained detailed information regarding the Hartford-New Haven market and the station’s operations and finances. Utilizing Tribune’s contacts as well as their own, both inside and outside of the broadcast community, BNB and Media Venture sought to advertise the availability of the station. In December 2001, BNB also distributed a letter to their client base presenting the station for sale. Included in this letter was the FCC’s mandate that Tribune dispose of the station by February 2002.

In January and February 2002, Tribune received expressions of interest from two potential purchasers of WTXX. These expressions were contingent upon the inclusion of unacceptable conditions on the operation of WTXX:

- One party submitted a letter of interest providing a range for a potential offer that was substantially below the appraised value of the station. Moreover, the letter of interest indicated that any offer would be contingent upon Tribune removing the programming of its station WPIX(TV), New York, New York, from cable systems serving the Hartford market. Tribune could not acquiesce to this condition, in part because it does not control cable distribution of WPIX outside the New York DMA, where cable systems unilaterally can carry the station’s signal without Tribune’s consent.
- Another interested party sent Media Venture a non-binding letter of intent offering a similar price range for WTXX well below the appraised value of the station. This offer also was contingent upon Tribune’s removal of WPIX from cable systems serving the Hartford market. In addition, this potential purchaser refused to assume any material liabilities in connection with the purchase of the station, thus further reducing the value of the offer.

At Media Venture's request in May 2002, after an indication of the potential problems with the offers, both of these interested parties resubmitted their non-binding bids for WTXX. Both parties presented offers at a price substantially less than the appraised value of the station, and neither party indicated any flexibility with regard to the condition regarding WPIX.

At approximately the same time, Tribune, through its brokers, received other expressions of interest for WTXX, including one offer at a price that exceeded the appraised value of that station. Nevertheless, both of these additional expressions of interest could not form the basis for an agreement to sell the Stations:

- While the first offer exceeded the appraised value for WTXX, it required Tribune financing for a significant portion of the purchase price. In addition, Tribune would have been required to enter into a JSA for three years following the consummation of the transaction, and grant a right to the purchaser to "put" the assets of the station back to Tribune any time between three and six years following consummation of the transaction with a guaranteed rate of return of 25 percent annually. Taken together, these conditions would have involved Tribune to a significant extent in the ongoing operations of the station and could have resulted in Tribune's ownership of the station in potential violation of the Rule by 2005.
- Tribune received another expression of interest for WTXX from an individual for an amount well below the station's appraised value. The viability of this offer was questionable and the source of financing for this purchase was unclear as the potential purchaser was unable to articulate any plans for the relocation of the station's studios and assumption of its programming liabilities.
- Tribune received another expression of interest in May 2002 at an amount well below WTXX's value. In addition, this proposed transaction would have resulted in Tribune's breach of certain of its programming obligations.

Media Venture redistributed correspondence in April 2002 seeking potential buyers. This letter included even stronger language than the initial correspondence regarding Tribune's mandate to sell the station, but did not elicit any additional offers to purchase the station.

**C. Tribune's Efforts to Sell After the FCC's 2003 Order.**

In June 2003, as discussed above, the Commission adopted new ownership rules under which a new purchaser would have been permitted to own the WTX/WTIC duopoly. During this time, Tribune and its broker continued their efforts to market and sell the Stations; however, Tribune received no bona fide offers to purchase WTX or the duopoly.

In September 2004, after the Third Circuit's decision in *Prometheus*, Tribune continued its efforts to sell the Station, despite the uncertainty regarding the new rules that the Commission might adopt to replace the local-ownership rule. At least two inquiries were received, but neither resulted in an offer to purchase WTX or the Stations:

- In October 2004, Tribune received an inquiry from a New York law firm regarding the availability of WTX. Upon further investigation into this inquiry, it was discovered that the source of the inquiry was the Plaintiff in a lawsuit pending against Tribune regarding this proceeding. It therefore did not appear to Tribune or its representatives that this was a *bona fide* inquiry. Nevertheless, Tribune advised the law firm that made the inquiry that it would enter into a NDA with the party, after which time Tribune would provide information about the station. The law firm made no further attempt to contact Tribune.
- In March 2005, Tribune was contacted by a third party representing a broadcaster who expressed an interest in exchanging two of its stations in other markets for the Stations and an unspecified amount of cash to be paid by Tribune to the other broadcaster. When Tribune informed the potential purchaser that a waiver of the Commission's duopoly rule would be required in order to transfer both Stations, the broadcaster proposed an alternative transaction whereby it would exchange its two stations for another Tribune station in another market. Tribune ultimately rejected this offer as not financially viable.

Despite its efforts to seek *certiorari* of the Third Circuit's decision in *Prometheus*, Tribune thus continued its efforts to sell WTX (and even the duopoly). Again, however, during 2004 and most of 2005, the television station transaction market continued to be moribund, and Tribune was unsuccessful.

**D. Tribune's Current Efforts to Sell WTXX.**

In June 2005, when the Third Circuit's remand of the Commission's revised media ownership rules became final, Tribune and its broker anticipated renewed interest in the purchase of WTXX. Toward that end, Tribune met with its broker in May and June, 2005 to discuss methods for soliciting more interest in WTXX. Tribune began by updating the confidential offering memorandum for WTXX in June 2005.<sup>15</sup> Following completion of the revised offering memorandum, Tribune's broker initiated new marketing efforts, reaching out to more than 30 prospective purchasers of WTXX. These renewed efforts by the broker resulted in the signing of seven NDAs with potential buyers, all of whom were then provided with the WTXX offering memorandum. Tribune's broker engaged in regular ongoing contact with each of these seven prospective buyers in order to be able to provide prompt responses to any follow-up questions. In spite of the efforts of Tribune and its broker, however, only two of these prospective purchasers pursued additional information about WTXX; neither of these potential purchasers made an offer for the station.

At the beginning of 2006, with no viable offers to purchase WTXX, Tribune and its broker again revised the offering memorandum with current financial data and updated market information and reinitiated broad marketing efforts to sell WTXX. In June 2006, Tribune's broker was contacted by two parties interested in the potential acquisition of WTXX. One party executed a NDA and reviewed the offering memorandum, but decided not to pursue any negotiations to purchase WTXX. The remaining party did not choose to execute a NDA.

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<sup>15</sup> Also in June 2005, Tribune received an inquiry from an attorney on behalf of an unnamed potential buyer interested in purchasing WTXX. Tribune engaged in conversations with this attorney but did not reach agreement on terms of a NDA.

In September 2006, two additional prospective buyers entered into NDAs and were provided with the WTXX offering memorandum. One of these prospects submitted a non-binding indication of interest in acquiring WTXX at a value significantly below the broker's estimate of the station's value based on comparable station sales. The other prospect has reviewed the Station materials, but has not submitted a formal indication of interest in acquiring the station at this time.

As demonstrated, the efforts to sell WTXX by Tribune and its broker clearly satisfy the fourth prong of the Commission's failing station waiver standard.

#### **IV. CONCLUSION**

Ever since its acquisition by Tribune in 2001, and indeed for a substantial amount of time prior, WTXX has been a failing station. The station has been unable to achieve significant audience share. It has had net losses and negative cash flow from operations for the past three fiscal years, and there has been little interest from out-of-market buyers willing to invest the required capital to operate WTXX on a stand-alone basis. However, Tribune's involvement with WTXX has produced tangible and demonstrable public interest benefits, including (i) increased non-network programming, particularly local news and public affairs programming, (ii) stabilized and improved physical plant, and (iii) the completion of WTXX's first required DTV build-out. Tribune submits that these tangible public interest benefits clearly outweigh the minor, speculative harms to the Commission's diversity and competition goals especially given that WTXX was not a viable voice on its own. For all of these reasons, Tribune respectfully submits that the requested waiver is in the public interest and should be granted.

## **ATTACHMENT A**

### **Declaration of Gina M. Mazzaferri**

I, Gina M. Mazzaferri, do hereby declare as follows:

1. I am Vice President, Strategy & Administration for Tribune Broadcasting Company (“Tribune”), a position I have held for over three years. Previously I held the position of Director, Strategy & Development at Tribune. Prior to joining Tribune, I worked in financial planning and analysis as Corporate Controller for Weigel Broadcasting and as Audit Manager for PricewaterhouseCoopers, L.L.P.

2. I am providing this Declaration with information on the financial situation and television market share for Tribune-owned television station WTXS(TV), Waterbury, Connecticut, (“WTXX”). I understand that this statement will be provided to the Federal Communications Commission (“FCC”) in support of a request for permanent waiver of Section 73.3555(b) of the Commission's Rules, 47 C.F.R. § 73.3555(b), in connection with the application for consent to transfer the license for WTXS to the Tribune Employee Stock Ownership Plan as implemented through the Tribune Employee Stock Ownership Trust, EGI-TRB, L.L.C., and Sam Zell (collectively the “Transferees”).

3. Tribune acquired a minority equity interest in WTXS in December 1997 valued at approximately \$4.8 million. In August 2001, Tribune acquired the remaining interest in WTXS for approximately \$25 million. Prior to Tribune's ownership, WTXS was owned by Tiberius Broadcasting, Inc., to whom it was assigned by Counterpoint Communications, Inc. in December 1997.



4. Attached to this Declaration as Exhibit 1 is a true and correct summary of WTXX's household ratings and audience share (Monday-Sunday, 9AM-12 Midnight) for each of the Nielsen sweep periods (February, May, July and November) from May 2004 through February 2007.

5. Under Tribune's ownership, WTXX has steadily invested in its programming, including non-network and regional sports offerings, as well as advertising/promotion in support of its programming. However, WTXX has been unable to garner significant audience share, and consequently, advertising revenues have been insufficient to cover the station's operating costs. WTXX has had a net loss and negative cash flows from operations for each of the three most recent fiscal years. WTXX has generated net losses despite the economic benefits of shared infrastructure and management costs of a duopoly operation.

6. Attached to this Declaration as Exhibits 2a and 2b are true and correct summaries of WTXX's Income Statement and Statement of Cash Flows as of and for Fiscal Years 2004 through 2006.<sup>1</sup> WTXX's operations, finances, and financial reporting are combined with those of WTIC-TV, Hartford, Connecticut ("WTIC"). Tribune Television Company ("TTC"), licensee of WTIC, is a wholly owned subsidiary of Tribune, and in August 2001, TTC was granted permission to "to own and operate both WTIC and WTXX."<sup>2</sup> Tribune historically has not prepared a stand-alone Income Statement or Statement of Cash Flows for WTXX separate from WTIC. Accordingly, the included financial statements were prepared specifically for this application.

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<sup>1</sup> Exhibits 2a and 2b have been filed concurrently under a Request for Confidentiality. The information contained in these exhibits is commercially and competitively sensitive and public disclosure of this information would severely prejudice Tribune. For this reason, Tribune is entitled to confidential treatment under a protective order of the Commission that would prevent the public and unnecessary third parties from reviewing the confidential information.

<sup>2</sup> See *Counterpoint Communications Inc.*, 16 FCC Rcd. 15044, 15046 (2001).

The facts set forth in this Declaration are true and correct based upon my personal knowledge and my information and belief. Executed this 30 day of April, 2007 at Chicago, Illinois.

A handwritten signature in cursive script, appearing to read "Gina M. Mazzaferri", is written over a horizontal line.

Gina M. Mazzaferri

# EXHIBIT 1

## Hartford-New Haven Market Rank, Mon. - Sun. 9:00 a.m. - midnight

Feb '07 Market Rank

	RTG	SHR
1	WFSB	6.3 13.6
2	WTNH	4.9 10.6
3	WVIT	3.5 7.5
4	WTIC	2.7 5.9
5	WTXX	1.2 2.6
6	WCTX	0.7 1.4
7	WHPX	0.2 0.4

Nov '06 Market Rank

	RTG	SHR
1	WFSB	6.3 13.8
2	WTNH	5.0 10.9
3	WVIT	4.1 9.0
4	WTIC	2.5 5.5
5	WTXX	1.2 2.5
6	WCTX	0.5 1.2
7	WHPX	0.2 0.4

July '06 Market Rank

	RTG	SHR
1	WFSB	4.6 11.3
2	WTNH	3.7 9.1
3	WVIT	3.0 7.2
4	WTIC	1.9 4.7
5	WTXX	0.7 1.8
6	WCTX	0.6 1.4
7	WHPX	0.2 0.5

May '06 Market Rank

	RTG	SHR
1	WFSB	5.8 13.6
2	WTNH	4.3 10.2
3	WVIT	3.8 8.9
4	WTIC	2.9 6.8
5	WTXX	0.9 2.1
6	WCTX	0.6 1.5
7	WHPX	0.1 0.3

Feb '06 Market Rank

	RTG	SHR
1	WFSB	6.2 13.3
2	WVIT	5.9 12.6
3	WTNH	4.9 10.6
4	WTIC	2.9 6.2
5	WTXX	1.2 2.6
6	WCTX	0.6 1.4
7	WHPX	0.2 0.5

Nov '05 Market Rank

	RTG	SHR
1	WFSB	6.6 14.7
2	WTNH	4.5 10.2
3	WVIT	4.2 9.4
4	WTIC	3.0 6.8
5	WTXX	1.1 2.4
6	WCTX	0.7 1.5
7	WHPX	0.2 0.4

July '05 Market Rank

	RTG	SHR
1	WFSB	4.6 11.1
2	WTNH	3.7 8.9
3	WVIT	3.1 7.5
4	WTIC	2.0 5.0
5	WTXX	0.8 1.9
6	WCTX	0.6 1.4
7	WHPX	0.2 0.6

May '05 Market Rank

	RTG	SHR
1	WFSB	5.8 14
2	WTNH	4.2 10.1
3	WVIT	3.9 9.4
4	WTIC	3.0 7.3
5	WTXX	0.9 2.2
6	WCTX	0.7 1.8
7	WHPX	0.3 0.7

Feb '05 Market Rank

	RTG	SHR
1	WFSB	6.3 13.8
2	WTNH	4.8 10.4
3	WVIT	4.2 9.2
4	WTIC	3.8 8.3
5	WTXX	1.1 2.4
6	WCTX	0.7 1.6
7	WHPX	0.3 0.7

Nov '04 Market Rank

	RTG	SHR
1	WFSB	6.7 14.8
2	WVIT	4.7 10.5
3	WTNH	4.3 9.6
4	WTIC	3.0 6.7
5	WTXX	1.3 2.8
6	WCTX	0.8 1.7
7	WHPX	0.3 0.7

July '04 Market Rank

	RTG	SHR
1	WFSB	4.7 11.5
2	WTNH	3.6 8.7
3	WVIT	3.1 7.6
4	WTIC	2.2 5.4
5	WTXX	0.9 2.1
6	WCTX	0.6 1.5
7	WHPX	0.3 0.7

May '04 Market Rank

	RTG	SHR
1	WFSB	5.5 13.4
2	WTNH	4.1 10.0
3	WVIT	3.9 9.5
4	WTIC	2.7 6.6
5	WTXX	1 2.6
6	WCTX	0.7 1.7
7	WHPX	0.3 0.8

**Filed separately with the Commission under  
a Request for Confidential Treatment.**

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a Request for Confidential Treatment.**

**ATTACHMENT B**

**Declaration of Thomas D. Leach**

**Filed separately with the Commission under  
a Request for Confidential Treatment.**

ATTACHMENT C

Declaration of Brian Byrnes

**Filed separately with the Commission under  
a Request for Confidential Treatment.**